

Financing Environmental Programs and Small Business: California Pollution Control Financing Authority

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Recycling Facility Financing Seminar

Oakland, CA



CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

California Pollution Control Financing Authority (CPCFA)



Established in 1973 through legislation signed by then Governor Ronald Reagan



CPCFA Board: Treasurer (Chair), Controller, Director of Finance



CPCFA stimulates environmental cleanup, economic development and job growth throughout the state.



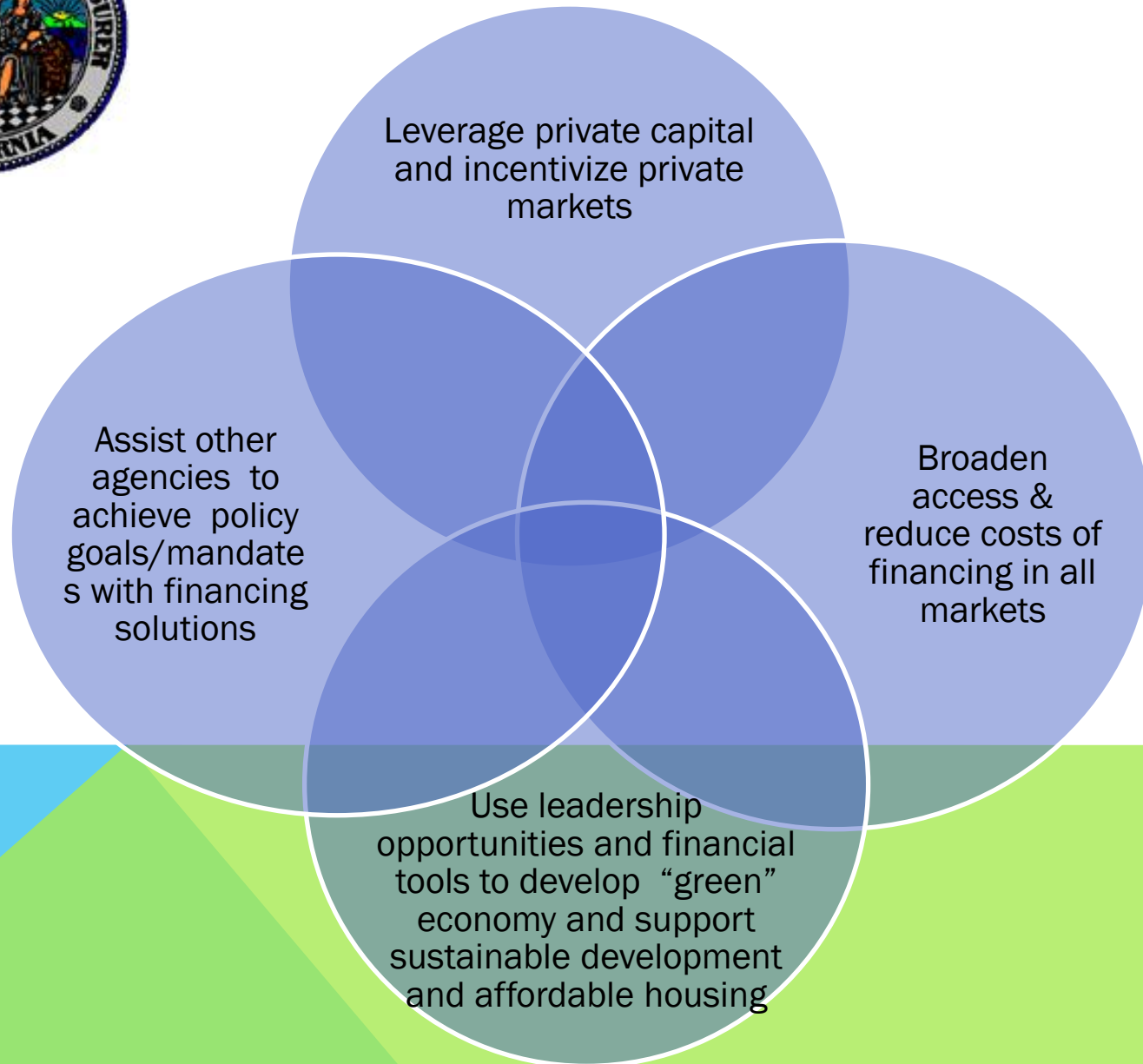
Currently controls \$3.2 billion in private activity bond allocation for waste, recycling, water and wastewater projects



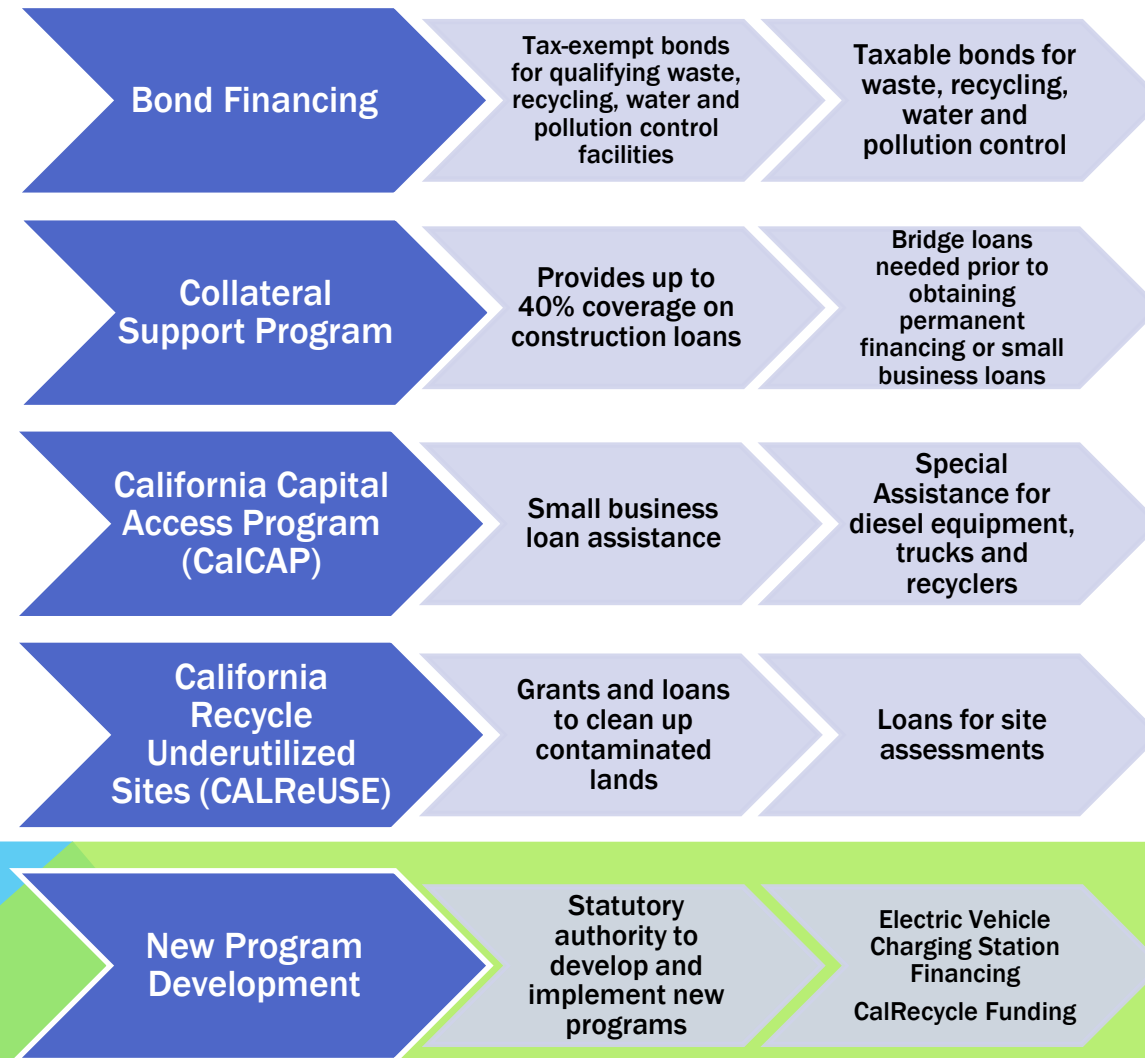
Bond fees support small business subsidies and credit enhancement, and brownfields programs



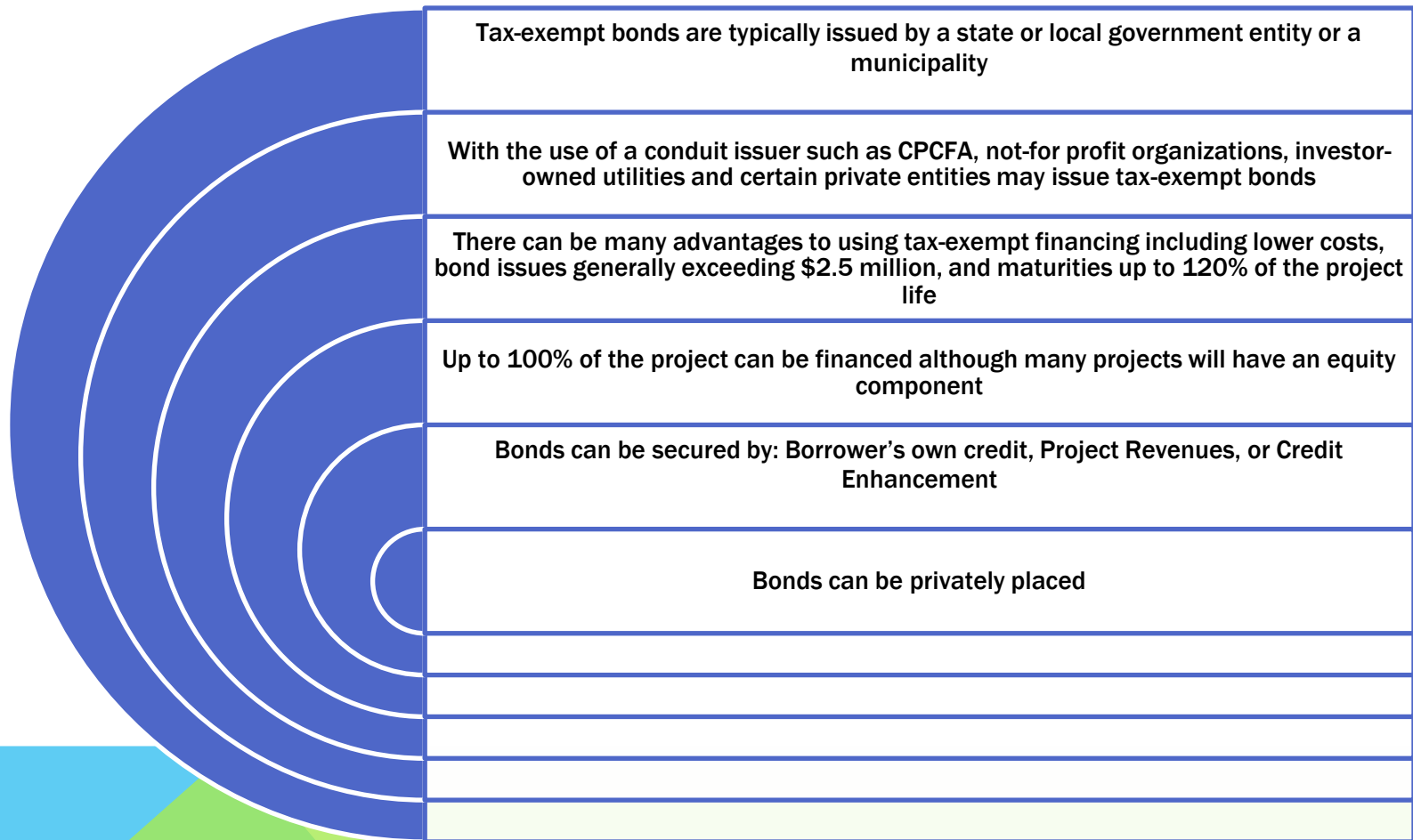
State Treasurer's Approach to Financing



CPCFA Financing Programs



Tax Exempt Bond Financing Program



TYPES OF TAX-EXEMPT PROJECTS



Privately owned
water/wastewater
treatment facilities



Solid waste
disposal or
recycling facilities



Waste conversion
facilities such as
anaerobic
digesters



Certain types of
biomass
conversion
facilities

Types of projects which may qualify for tax-exempt
bond financing

Small Business Assistance Fund (SBAF)



SBAF monies can be used to offset certain costs of issuance of tax-exempt bonds issued on behalf of small businesses with 500 employees or less.



Borrower must first apply 2% of bond proceeds toward Eligible Costs and then award may be used to offset unfinanced Eligible Costs at Authority's discretion.



Available up to \$13,750,000 par amounts.

SAN JOSE WATER COMPANY PROJECT



San Jose Water Company, an investor-owned public utility, was issued bonds worth \$50 million.



CPCFA issued tax-exempt water furnishing revenue bonds on behalf of San Jose Water to finance improvements to structures and facilities throughout the company's water supply system including:

- Two treatment plants, wells, reservoirs, motor control center tanks, pump stations etc.

RECYCLING INDUSTRIES, INC. PROJECT



Recycling Industries Inc. (“RII”), a privately owned small business founded in Sacramento, was issued bonds worth \$7.3 million in 2011.



CPCFA issued tax-exempt solid waste disposal bonds on behalf of RII to finance the acquisition of land, buildings, and renovation of structures at its Sacramento County location

- Bond proceeds are also being used to finance the renovation and expansion of a facility at Yuba City, and for the purchase and installation of new equipment
- This expanded capacity will allow the company to divert up to an estimated 20,000 tons of material from the landfill through recycling

Additional Bond Financing Examples

Anaerobic Digestion Projects

- Financed projects have included a digester at a sewage treatment facility in San Diego and a food waste digester in San Jose.

\$730 Million for Water Facility

- Water Desalination Facility with public agency (\$203 million) and private components (\$530 million)

Additional Possibilities

- Currently active applications or discussions: rice straw to fiberboard manufacturing facility; bio-diesel manufacturing facilities; waste digesters at existing dairies; pre-pay bonds for utility scale alternative energy generation; landfill gas; recycling waste products into alternative fuels and other outputs; alternative energy at qualified facilities.

CPCFA CalCAP Funds for Small Business and Green Loans



State Small Business Credit Initiative administered by U.S. Treasury: \$84 million allocated to CPCFA (CalCAP and Collateral Support). [*\$84 million allocated to I-Bank Loan Guarantee.*]



Expansion of existing Capital Access Program (CalCAP) reduces the risk of loans by providing funds for loan loss reserves for banks, credit unions and CDFIs. Primarily supports micro-loans to micro-businesses .



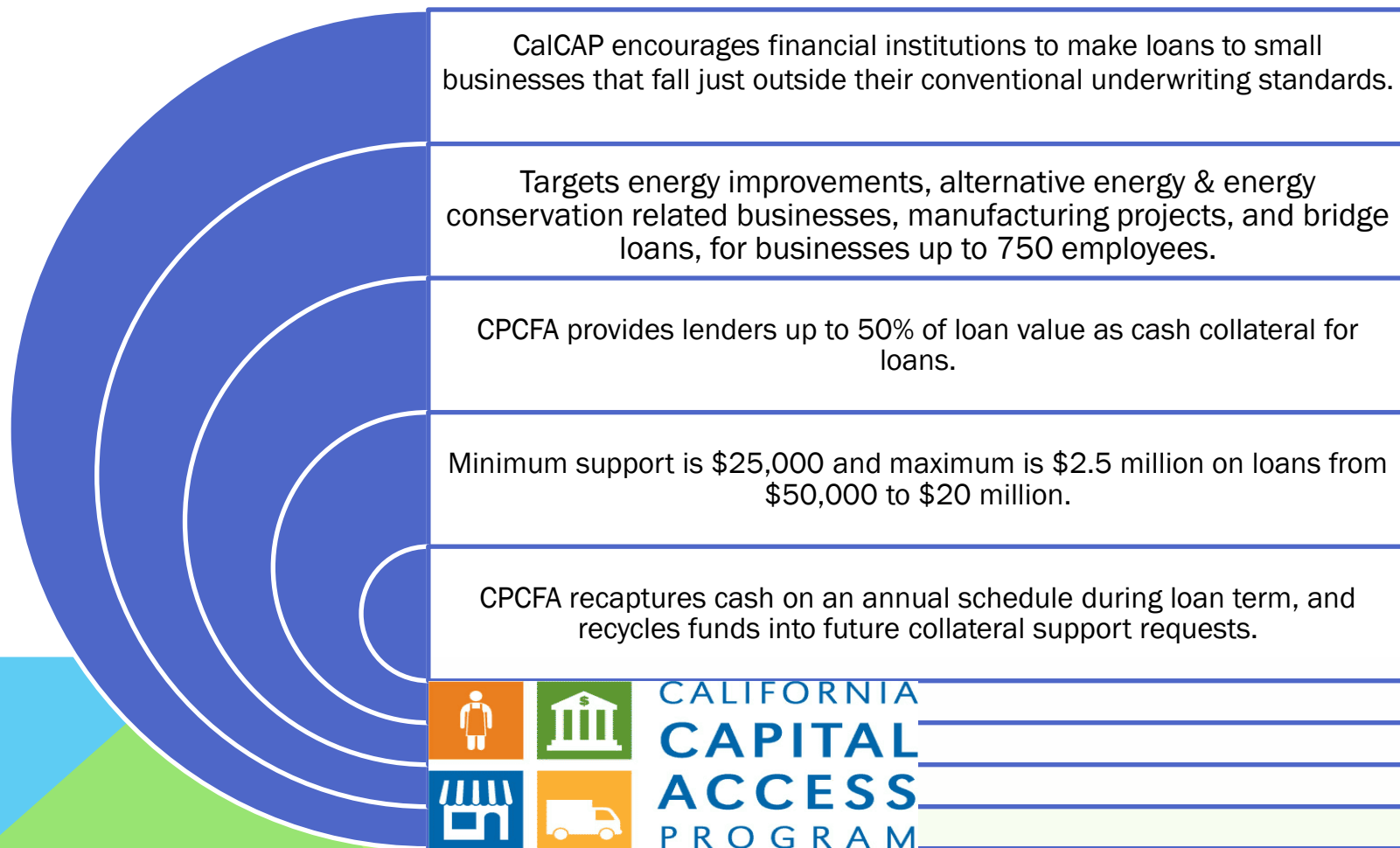
Collateral Support Program incentivizes loans that support state environmental and energy goals, and manufacturing loans. California is the only state to use SSBCI funds targeted specifically to green policy objectives.



Assisted over 17,000 loans totaling \$2.5 billion since 1994

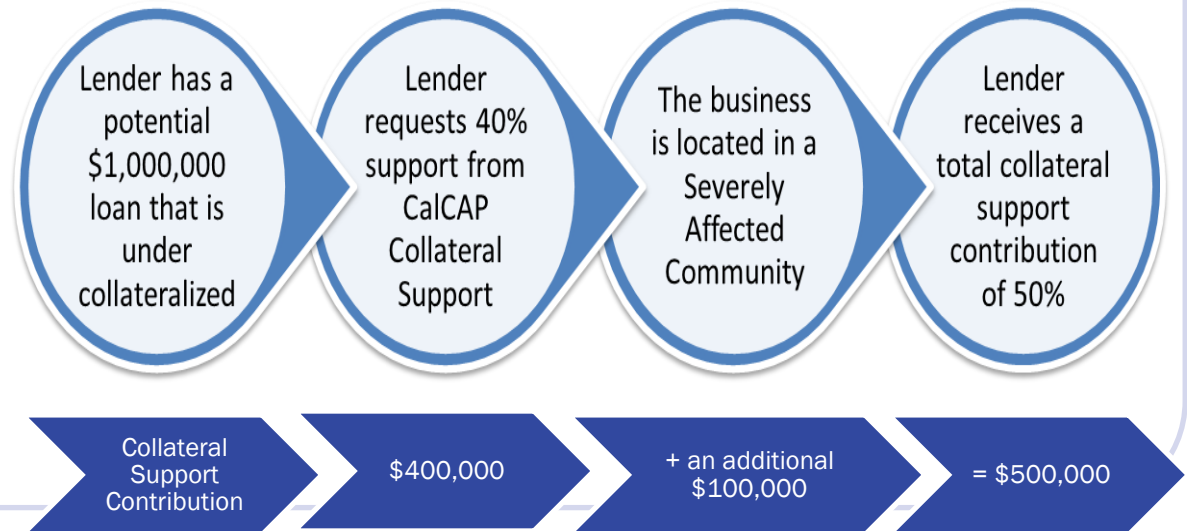


CalCAP Collateral Support/Lender Loss Reserve Program



Collateral Support Examples

Collateral Support



CalCAP Examples

Lender Loss Reserve

\$2,000

- Borrower Premium = 2%

\$2,000

- Lender Premium = 2%

\$4,000

- CalCAP Match = 4%

\$2,000

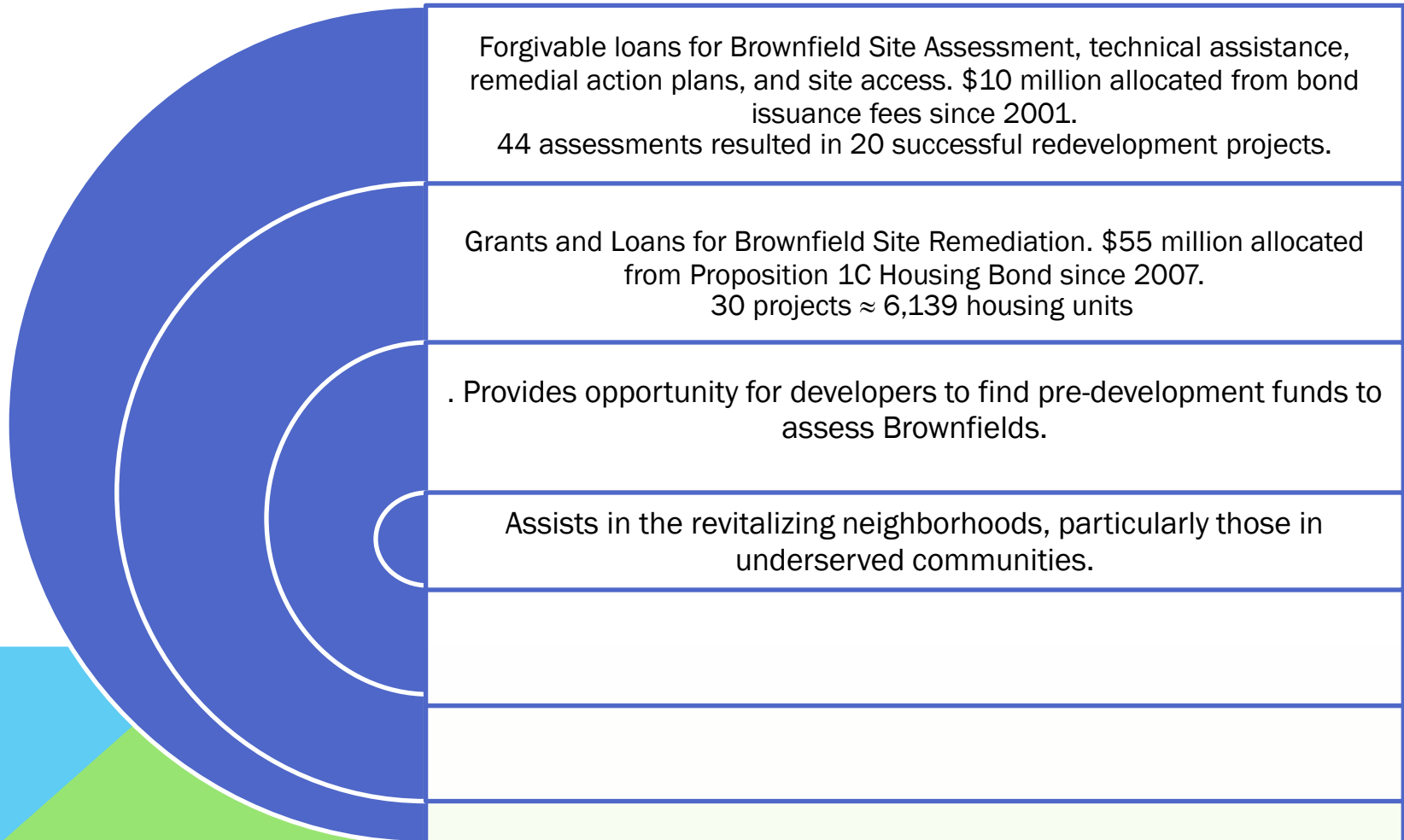
- Severely Affected Community Incentive = 2%

\$10,000

- Total Contribution to Loss Reserve Account = 10%



CALReUSE Brownfields Programs



CALReUSE Assessment and Remediation Details

Assessment

- Maximum of \$300,000 per site (up to \$500,000 for Infill projects)
- 25% Match Requirement
- 3-year loan term
- Interest based on LIBOR (but not less than 2%)

Remediation

- \$60 million funded by Proposition 1C.
- Up to \$5 million in grants and loans for brownfield clean up.
- Grants must include 15% affordable housing.
- Loans available at 6 month LIBOR rates.

Brownfield Remediation Example: Before

- Bay Avenue Apartments Project in Capitola
- The site was originally developed in the 1970's as a high-density residential dwellings, carports and paved parking areas.
- Property was found to have elevated levels of both chlordane, commonly used for termite fumigation, and dieldrin, which was used as an insecticide in farming applications. In addition, existing buildings on the property contained asbestos and lead based paint.
- Costs to remediate were estimated at \$957,730.

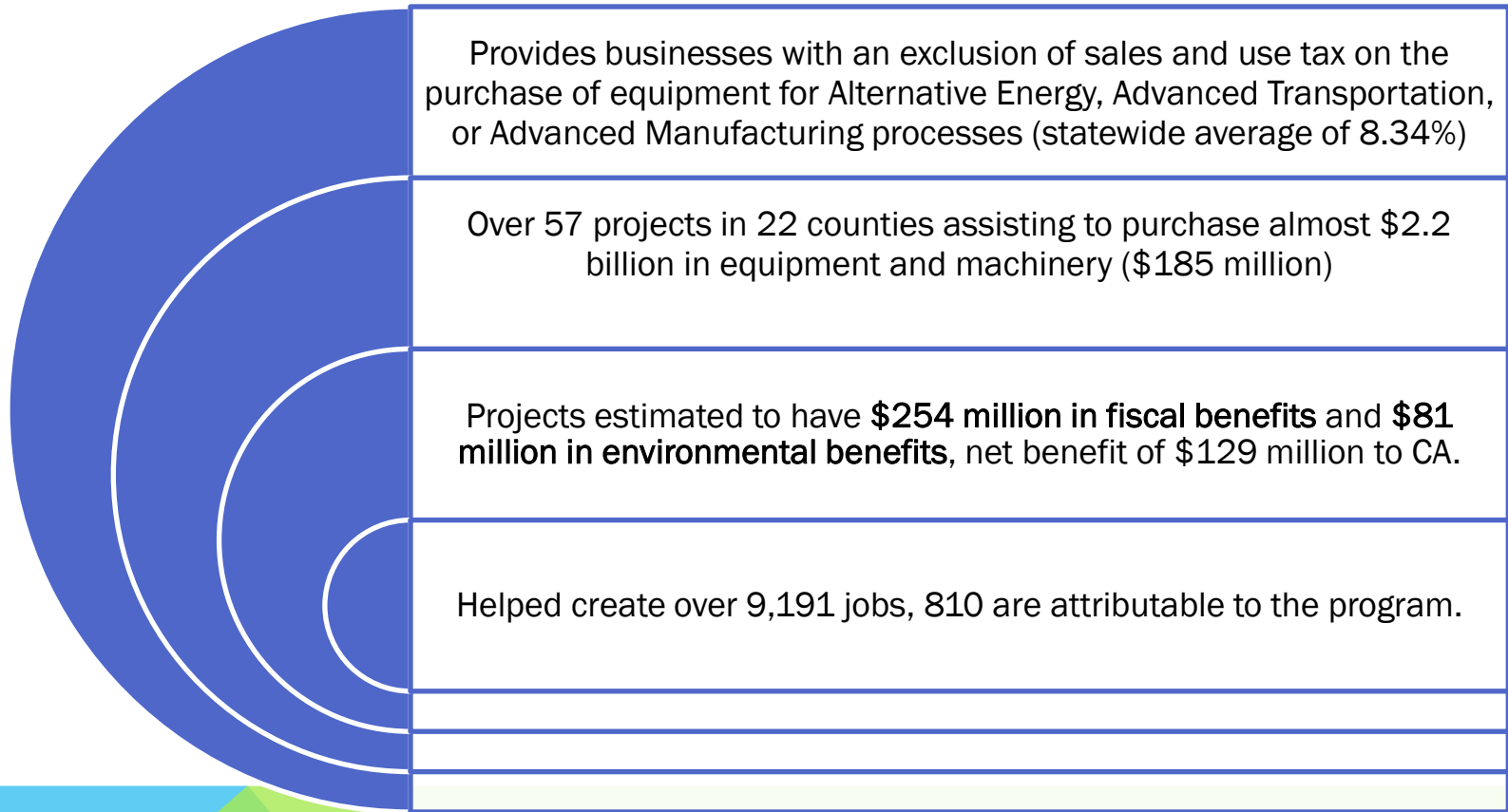


Brownfield Remediation Example: After

- First Community was awarded a grant of \$957,730, leveraged with an additional \$27 million in other funding, to clean up and develop the abandoned property.
- The property is now operated by the Salvation Army as the Silvercrest Apartments, an age restricted low-income residential mixed-use project.
- Project consists of 196 rental units, of which 39 units are rent restricted at up to 50% area median income (AMI) for a period of 55 years. 17,000 square feet of the project includes retail and commercial space.
- Development eliminates a blighted area from the neighborhood, providing new retail services and a child-care facility. In addition it has helped to revitalize the local economy, creating employment opportunities and an increase tax base and added 250-300 new residents to the area.



CAEATFA Sales & Use Tax Exclusion Program



Sales & Use Tax Exclusion Examples

Alternative Energy & Advanced Transportation Products

- Solar panels
- Biomass and Biogas/Biofuels
- Electric Vehicles
- LED light bulbs
- Energy storage and batteries etc.

Advanced Manufacturing Process

- Microelectronics
- Advanced Materials
- Integrated computational material engineering
- Nanotechnology
- Additive manufacturing
- Industrial biotechnology

Sales & Use Tax Exclusion Example: Zero Waste

- Zero Waste Energy (San Jose, CA) – Biogas Capture & Production
 - Largest dry anaerobic digester project in the world – 90,000 tons of commercial organic waste diverted from landfills per year.
- Approved for STE on \$8.4 million worth of equipment (\approx \$1.4mm STE).
- Also received tax exempt bond funding from CPCFA.
- Anticipated to result in \$3.6 million in environmental and fiscal benefits to the state (\$2.2 million net benefit) and 174 jobs – 17 attributable to the STE.



Sales & Use Tax Exclusion Example: EVI

- Electric Vehicles International (Stockton, CA) – Electric Vehicle Manufacturing
 - EVI relocated from Mexico to Stockton in 2009 and has now produced over 100 electric trucks and vans for UPS' fleet
- Approved for STE on \$5.7 million worth of equipment (≈\$465k STE)
- Anticipated to result in almost \$1 million in environmental and fiscal benefits to the state (\$500k net benefit) and 114 jobs – 8 attributable to the STE



CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Partnership with Other State Agencies

- \$53 million credit enhancement program for CARB-compliant heavy duty diesel trucks.
- \$500,000 loan loss reserve program to support CalRecycle projects.
- \$2 million loan loss reserve and subsidy program for installation of publicly accessible electric vehicle charging stations.

Emerging Programs

Programs under development/consideration include:

- Electric Vehicle Charging Infrastructure – credit enhancement for business or multi-family installations
- Hydrogen fueling infrastructure credit enhancement
- Loan Participation Program for energy efficiency/alternative energy
- Green Credit Reserve



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